

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6116

BILL NUMBER: SB 164

NOTE PREPARED: Jan 29, 2008

BILL AMENDED:

SUBJECT: Medicaid Claim Payments.

FIRST AUTHOR: Sen. Miller

FIRST SPONSOR: Rep. C. Brown

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill specifies that the Office of Medicaid Policy and Planning, a managed care organization that has contracted with the Office under the state's Medicaid program, and a person that has contracted with the managed care organization must meet certain requirements concerning payment and denial of claims.

(The introduced version of this bill was prepared by the Select Joint Commission on Medicaid Oversight.)

Effective Date: July 1, 2008.

Explanation of State Expenditures: This bill would specify that current provisions requiring the Office of Medicaid Policy and Planning (OMPP) or a contractor of OMPP to pay interest on clean claims not paid within the allowable time frame apply to managed care organizations (MCOs) and their subcontractors. The bill would require that MCOs and entities that subcontract with managed care organizations must suspend, deny, or pay electronically submitted clean claims within 21 days and clean paper claims within 30 days after the claim is filed.

Current state law provides that interest is to be paid to providers for clean claims not paid within the allowable time period at a rate that is the percentage rounded to the nearest whole number that equals the average investment yield on state money for the state's previous fiscal year, excluding pension fund investments, as published in the Auditor of State's *Comprehensive Annual Financial Report*. The average investment yield was 3.48% for FY 2006, which would result in interest of 3% to be added to late Medicaid payments.

The Family and Social Services Administration reports that the MCO contracts in place until December 31, 2010, contain a provision that requires the contractor to pay or deny 98% of clean claims filed within the statutorily defined limits of 21 days for electronically filed claims and 30 days for paper claims. If a contractor fails to meet this standard in any given month, it is considered to be an instance of unsatisfactory claims performance and the contractor must pay \$5,000 in liquidated damages for each month the determination is made. Should the contractor be liable for two consecutive months of unsatisfactory claims performance, OMPP must suspend the auto-enrollment of Hoosier Healthwise members until the contractor demonstrates that all past due clean claims have been paid.

The contract provision makes no mention of interest payable to the providers. OMPP reports that providers have the authority to bill the MCOs for interest that may be due on late claims payments, but that OMPP is responsible only for interest payments on fee-for-service claims. OMPP further reports that they do not have data on interest payments made by OMPP, the MCOs, or MCO subcontractors.

If interest is paid due to late claims payment under the MCO contracts, the payments would occur within the capitated managed care contracts. The additional payment to providers does not represent a direct cost to the state since the state pays a capitated amount for each MCO member month regardless of the cost incurred by the MCO for the member's care or for administration. Increased costs to the state would result to the extent that increased risk-based managed care costs, which must be actuarially determined, would be passed through to the state in the negotiated rates for the CY 2009 capitation rate.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: OMPP; *Comprehensive Annual Financial Report*, State of Indiana, For the Fiscal Year Ending June 30, 2006, page xi; and IC 12-15-21-3(7)(A).

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